

Message Text

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15

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 8475

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

UNCLAS ISLAMABAD 11518

E.O. 11652: N/A

TAGS: ENRG, PK,

SUBJ: PETROLEUM: PAKISTAN GOVERNMENT ANNOUNCES NEW
INCENTIVES FOR OIL EXPLORATION

1. ACCORDING TO GOVERNMENT PRESS RELEASE NOVEMBER 3, PAKISTAN HAS LIBERALIZED THE TERMS OF OIL CONCESSIONS AVAILABLE TO FOREIGN FIRMS IN ORDER TO ACCELERATE THE PACE OF OIL EXPLORATION IN PAKISTAN. THE TEXT OF THE PRESS RELEASE FOLLOWS.

2. QUOTE. PAKISTAN HAS OFFERED A NEW PACKAGE OF CONCESSIONS TO FOREIGN OIL FIRMS IN ORDER TO ACCELERATE THE PACE OF OIL EXPLORATION IN THE COUNTRY. THE PACKAGE OF CONCESSIONS EXEMPT THE IMPORT OF MACHINERY AND EQUIPMENT BY THE FOREIGN OIL FIRMS FROM CUSTOMS DUTY AND SALES TAX AS SPECIFIED IN THE AGREEMENT, FOR THE PURPOSES OF EXPLORATION AND DRILLING PRIOR TO COMMERCIAL DISCOVERY.

3. THE LESSEE SHALL BE ALLOWED TO EXPORT A SHARE OF PETROLEUM AFTER MEETING INTERNAL REQUIRMENTS OF THE COUNTRY, AS MAY BE AGREED.

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4. ROYALTY SHALL BE CHARGED AT A FIXED RATE OF TWEEVE AND

A HALF PERCENT OF THE WELL-HEAD VALUE AND SHALL FORM PART OF THE SUM OF PAYMENT TO THE FEDERAL GOVERNMENT AND TAXES ON INCOME WHICH SHALL BE NEITHER MORE THAN 55 PERCENT NOR LESS THAN 50 PERCENT OF THE PROFITS OR GAINS BEFORE DEDUCTION OF PAYMENT TO THE GOVERNMENT.

5. THE VALUE OF THE CRUDE OIL FOR PURPOSES OF ROYALTY AND INCOME- TAX SHALL BE CALCULATED ON THE BASIS OF PRICE REALIZED IN TRANSACTIONS WITH PRUCHASERS OTHER THAN SUBSIDIARY AND AFFILIATES.

6. SALE PROCCEDS OF THE SHARE OF PETROLEUM SHALL BE ALLOWED TO BE RETAINED ABROAD SUBJECT TO THE CONDITION THAT IT SHALL BRING BACK SUCH PORTION OF THESE PROCEEDS AS MAY BE REQUIRED TO MEET ITS OBLIGATIONS UNDER THE LEASE.

7. IN ORDER TO ENCOURAGE FOREIGN EXPERTS TO COME TO PAKISTAN IN HELPING AND OIL DRILLING AND EXPLORATION, THEY HAVE BEEN EXEMPTED FROM INCOME TAX FOR THREE YEARS., THEY SHALL BE ALLOWED TO IMPORT USED AND BONA FIDE PERSONAL AND HOUSEHOLD EFFECTS EXCLUDING CAR, FREE OF CUSTOM DUTY AND SALES TAX, AND ALSO ALLOWED TO IMPORT COMMISSARY GOODS FREE OF CUSTOMS AND SALES TAX TO THE EXTENT OF 550 DOLLARS EVERY YEAR.

8. THE PACKAGE OF THESE INCENTIVES HAVE BEEN GIVEN LEGAL COVER BY INCORPORATING THEM IN THE ORDINANCE ENTITLED REGULATION OF MINES AND OIL FIELDS AND MINERAL DEVELOPMENT GOVERNMENT CONTROL(AMENDMENT), ORDINANCE 1976, WHICH CAME INTO FORCE FROM NOVEMBER 2. UNQUOTE

9. COMMENT: EMBASSY HAS REQUESTED FROM THE MINISTRY OF FUEL, POWER AND NATURAL RESOURCES COPIES OF THE ORDINANCE DESCRIBED ABOVE AND WILL POUCH THEM TO THE DEPARTMENT WHEN THEY ARE RECEIVED.
BYROADE

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